

7.5 Stormwater Drainage Charge Transfer - Consultation and IPART Application - For Endorsement

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Recommendation

That Council:

- 1. Notes that:***
- 2. From 1 July 2026 Council will no longer charge a Stormwater Drainage Charge under the Water Management Act 2000 on the water bill.***
- 3. It is intended that, for the ratepayers currently subject to the charge, Council will apply to have this charge applied to the rates notice.***
- 4. The estimated revenue generated through a Drainage Charge under the Local Government Act for the 2026-27 financial year is \$22.3M offset by the removal of the Stormwater Drainage Charge under the Water Management Act and therefore there is no impact on the total revenue received by Council by transferring the charge from the water bill to the rates notice.***
- 5. Notes that a Special Variation process is the only pathway available to Council to implement the transfer of the charge to the rates notice.***
- 6. Notifies IPART of its intention to apply for a Special Variation by 28 November 2025.***
- 7. Undertakes community consultation regarding the proposed transfer of the Stormwater Drainage Charge from the water bill to the rates notice, with the outcome of the consultation being submitted to Council for consideration prior to lodgement of the Special Variation application with IPART.***

Report Purpose

To notify Council of the required pathway to move income generated under its current Stormwater Drainage Charge levied on the water bill to the rates notice. Council will be required to vary its general income to include the income generated through the Drainage Charge under the *Local Government Act 1993* (LG Act). Accordingly, Council will be required to prepare a Special Variation (SV) application to vary Council's general income, including community consultation, and to notify IPART of Council's intention to apply.

Executive Summary

Since establishment of Central Coast Council, a stormwater drainage service charge has been levied on most properties in the Council area. This charge has been levied via the *Water Management Act 2000* (WM Act) and regulated by IPART. The income generated from this charge is in the order of \$22M each year. This charge provides funding for stormwater drainage services including floodplain risk management planning, asset planning, maintenance, and capital construction.

In the 2022 Determination of Water, Sewer and Stormwater Drainage, IPART resolved that they would not support the Stormwater Drainage Charge being levied under the WM Act beyond the current determination period ending 30 June 2026, and that this income would be better generated under the Local Government Act rating system. Subsequent legislative changes confirmed that Council would no longer be able to levy a Stormwater Drainage Charge under the WM Act, requiring Council to replace this income under the *Local Government Act* (LG Act), effective from 1 July 2026.

In accordance with s.508(2) of the LG Act, Council needs to apply to IPART for a Special Variation (SV) to increase Council's general income to accommodate the amount required to replace the revenue previously generated through the WM Act.

This report seeks endorsement to notify IPART that Council will prepare an application for an SV to replace the income generated by the Stormwater Drainage Charge under the WM Act, with an equivalent amount (adjusted by the annual rate cap). It is proposed that the charge continues to apply to the same properties as it currently does and would be levied under the LG Act as an annual Drainage Charge.

Background

Council's stormwater drainage services including floodplain risk management planning, asset planning, maintenance, and capital construction, are largely funded via the Stormwater Drainage Charge that the IPART previously set for Council as a Water Authority under the WM Act.

In the 2022 Determination for Water, Sewer and Stormwater Drainage, IPART resolved that they would not support the Stormwater Drainage Charge being levied under the WM Act beyond the current determination period ending 30 June 2026. It also foreshadowed that Council would need to undertake SV to replace this income under the LG Act.

To enable the change required by IPART, Council needs to apply to IPART for an SV seeking their approval to enact the change of levying stormwater drainage services under the LG Act instead of the WM Act.

Council demonstrated its commitment to the 2022 IPART Determination via a resolution made at the Ordinary Meeting of Council on 9 November 2021. The relevant resolutions have been reproduced below:

276/21 *That Council note the intention to transfer the Stormwater Drainage Charge under the Water Management Act to a Stormwater Drainage Special Rate Variation or equivalent under the Local Government Act.*

276/21 *That Council commits to transferring the stormwater drainage charge from the Water Management Act to the Local Government Act by the 2026/27 financial year in parallel with the 2026 Water and Sewer Pricing Review, acknowledging that this will also require a concurrent special rate variation application to IPART.*

On the 15 August 2024 the NSW Government assented to changes to the WM Act, through the *Water Management Amendment (Central Coast Council) Bill 2024*. This formally removed the ability of Council to levy the Stormwater Drainage Charge under the WM Act from 2026-27.

After consideration of options available, it is proposed to replace the income generated by the foregone Stormwater Drainage Charge under the WM Act, with an equivalent charge (adjusted by the annual rate cap) to the same properties levied under the LG Act as an annual Drainage Charge.

In accordance with s.508(2) of the LG Act, Council would need to apply to IPART for an SV to increase Council's general income to accommodate the amount required to replace the revenue previously generated through the WM Act.

Considering that Council would not be receiving additional revenue as a result of this transition, and the relevant ratepayers not being financially impacted by the transition, in April 2025, Council met with, and subsequently wrote to, the Minister for Local Government and engaged with IPART requesting consideration of an alternate pathway to an SV process be applied. In September 2025, the Minister for Local Government declined the request by Council and advised that Council is required to use the established SV process.

The cessation of this charge poses a significant financial challenge in maintaining critical stormwater infrastructure across the Central Coast region. Effective stormwater management is essential for protecting property and lives, maintaining the transport network, and ensuring the safe and efficient use of other critical infrastructure.

Report

To enable the preparation and submission of an SV application, Council is required to undertake the following steps:

- Notify IPART of Council's intention to prepare an application by 28 November 2025.
- Undertake Community Consultation.
- Prepare the application.
- Review and endorse the application for submission to IPART by 3 February 2026.

As part of the process IPART will:

- Publish applications for SVs on their website and undertake community consultation from 25 February 2025 to 24 March 2025.
- Release decisions – 16 May 2025.

Stakeholder Engagement

Engagement has been undertaken with senior representatives of IPART and the Minister for Local Government (and their office) as part of early consultation on the process and understanding Council's options, including exploring options that may not require a formal SV process.

Consultation regarding the proposed transfer of the Stormwater Drainage Charge from the water bill to the rates notice and the associated SV process will be undertaken in November 2025. The engagement will include notification of the proposed change to the community, online survey and information, and promotion of the change through Council's online channels. Options will be available to make a submission online, via email and mail.

The outcome of the consultation will be submitted to Council for consideration prior to lodgement of the SV application with IPART.

Financial Considerations

Financial Year (FY) Implications

The FY adopted budget for the 2025-26 financial year is not impacted by the proposed transition of the Stormwater Drainage Charge to the Rates Notice under the LG Act.

The process associated with the SV process will impact on the availability of resources, and re-prioritisation of discretionary tasks may need to occur between November 2025 and February 2026. The 2025-26 Budget includes funding in the order of \$60K if required for some elements of the SV process.

Budget and Long-Term Financial Plan (LTFP) Impact

The LTFP is based on Council retaining the same level of revenue (indexed annually) that it currently generates through the Stormwater Drainage Charge under the WM Act. For the 2026-27 financial year this equates to approximately \$22.3M, indexed by the assumed rate-peg over the period of the LTFP. The \$22.3M is based on the amount generated in 2025-26, indexed by the rate-pegging for 2026-27 of 3.2%.

If Council is unable to maintain income generated through the Stormwater Drainage Charge, there will be an overall reduction in income for Council to deliver services, including but not limited to, the stormwater drainage services currently delivered utilising the stormwater drainage charges levied under the WM Act.

Considering the limited scope to reduce critical drainage works, Council would need to reallocate funding currently supporting various services to maintain essential drainage works. This would require Council to consider significant cost reductions in other areas. The impact of this reduction on Council's assets and services would be significant.

The proposal would result in no change to what the relevant ratepayers would have paid had the charges been levied through the WM Act. The only visible change to the relevant ratepayers is that they would see the charge on their rates notice rather than their water bill.

Link to Community Strategic Plan

Our Place - The levers that help our people to live, move and enjoy their life on the Central Coast.

Goal - PL2: Sustainable and accessible infrastructure to support a growing community.

Strategy - PL 2.1: Plan, deliver and maintain essential infrastructure such as roads, drainage, stormwater management, sewage treatment, water supply, and telecommunications.

Our Leadership - The systems, processes and partnerships that ensure genuine community participation, financial stewardship and excellent service deliver to our community.

Goal - LE1: Good governance, strong partnerships, and a transparent Council.

Strategy - LE 1.1: Ensure Council is financially sustainable and provides transparent and accountable reporting and audit process.

Risk Management

Council is required to find a resolution to the issue created by the 2022 IPART Determination and ensuing legislative changes. If an SV application is not prepared and/or not approved by IPART to vary Council's general income, there is a significant financial risk to Council and ultimately its services to the community, if there is no mechanism to levy a drainage charge after 30 June 2026.

Critical Dates or Timeframes

Council is required to notify IPART of our intention to apply for an SV by 28 November 2025 and submit an SV application on or before 3 February 2026.

To ensure these timeframes are met, community consultation will be undertaken in November 2025 to allow for consideration of the outcome prior to the submission of the application to IPART by 3 February 2026.

Attachments

Nil